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PLO-SYRIA: Dispute Continues

The Fatah rebellion, despite a temporary lull, shows no signs of ending as PLO leader Arafat and Syrian President Assad continue their struggle for dominance over the organization.



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There have been no additional major defections to the rebels in recent weeks, and Arafat's forces and the rebels continue to observe a two-week-old cease-fire. Mediation efforts remain in suspense, however, following the failure of a PLO committee's efforts earlier this month to resolve political issues.



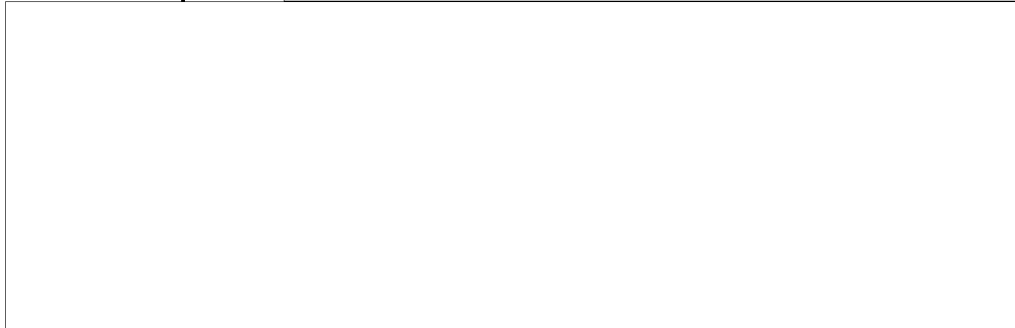
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The US Embassy reports that the Syrians are keeping up their criticism of Arafat, although the criticism has not intensified since Arafat's expulsion.

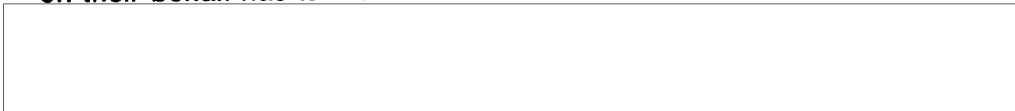


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Comment: The rebels continue to put pressure on Arafat to accept their reformist demands, but Syria's heavyhanded intervention on their behalf has tarnished their Palestinian nationalist credentials.



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Syria's military predominance over Arafat's forces in Lebanon enables Damascus to control events there. Assad seems unwavering in his determination either to force Arafat's ouster or to undermine his authority so that he will be unable to act independently of Syria.



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CHAD: Habre's Gamble

President Habre is planning to attack Faya-Largeau within a week, but Libya is rapidly strengthening the dissidents in the area. [REDACTED]

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US officials in N'Djamena report Habre believes he has to attack Faya-Largeau before he is fully prepared, because Libya's heavy reinforcement of the insurgents may not allow him another chance.

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Comment: The dissidents' control over Faya-Largeau is growing stronger every day, and a counteroffensive is likely soon. Habre probably hopes France will commit fighter aircraft if Libya uses its air-power. He is likely to attack Faya-Largeau, however, mainly to preempt a further insurgent buildup rather than as a ploy to force the hand of the French. [REDACTED]

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The Mitterrand government remains divided over policy on Chad and knows that the French public, the Army, and the majority of African states do not favor extensive French involvement. Paris could order airstrikes to help tip the scales in Habre's favor. The French probably will avoid becoming involved on the ground, however, at least until the outcome of the battle for Faya-Largeau is clear. [REDACTED]

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If Habre attacks in the next few days, Libya will have to decide whether to commit combat aircraft, [REDACTED]

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[REDACTED] to help the dissidents.

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Under the most favorable conditions, Libyan ground forces now at Sabha and Al Kufrah could not reach Faya-Largeau in less than three days. Shortages of tank transporters in eastern and southern Libya would hamper deployment of armored units from those areas.

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CANADA-US: Opposition to Cruise Missile Testing

Ottawa is likely to have to deal with continuing opposition to its decision to permit the testing of US cruise missiles. [redacted]

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Several peace groups and labor unions opposed to testing filed for an injunction on Wednesday to block it. The motion was made in a federal court in Ottawa. It holds that the development of the cruise missile is an escalation of the arms race, and thus denies the protection of individual security guaranteed by Canada's new Charter of Rights. [redacted]

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Comment: The suit indicates that opposition to testing remains widespread and vigorous. Until it was filed, unions had remained in the background, allowing peace groups to lead the opposition to testing. [redacted]

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US Embassy and Canadian officials believe the case is weak. Nevertheless, questions pertaining to the Charter are precedent-setting and will receive a thorough hearing. Peace groups may schedule public demonstrations to coincide with the court review.

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The manner in which the government made public its decision to permit testing probably will be made an issue by the opposition. The announcement was made on 15 July, apparently in an attempt to put a weekend of summer vacationing between the decision and the expected criticism. Peace groups and the opposition New Democratic Party are likely to claim that the timing demonstrated Ottawa's political manipulation of the issue. [redacted]

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Tory defense critic Allan McKinnon, whose Progressive Conservative Party has consistently supported testing, has suddenly characterized the decision as premature, pending developments at Geneva. He has criticized Prime Minister Trudeau for not allowing a parliamentary debate before approval. Tory support for testing probably has not faltered, but McKinnon's criticisms may reflect the party's growing recognition of the peace movement's influence. [redacted]

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USSR-ITALY: Impasse in Gas Negotiations

The acrimonious trade and energy talks in Moscow earlier this week between Italian and Soviet representatives will further delay an agreement on Italian purchases of natural gas through the Siberian export pipeline. [REDACTED]

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An Italian Foreign Ministry official says Rome rejected Soviet demands for concessionary trade credits. The Soviets did not agree to any specific measures to reduce Italy's \$1.9 billion trade deficit for 1982—one of Rome's conditions for serious negotiations on additional purchases of Soviet gas. [REDACTED]

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Soviet officials also refused to renegotiate the existing agreement in principle regarding future gas sales. They contended that it constitutes a final contract. [REDACTED]

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Comment: An Italian decision on the politically sensitive gas contract will have to await the formation of a new government. Even so, Rome will still seek specific Soviet actions to redress the trade imbalance and will resist Moscow's demands for credit concessions. [REDACTED]

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Italy also will want to renegotiate gas prices and may try to reduce its gas imports from the 6-8 billion cubic meters originally agreed on. The US Embassy says Italian energy officials may want to lower minimum import quantities to perhaps 4 billion cubic meters because of the drop in domestic demand. With the differing views of Italian political parties and the important financial and commercial interests involved, Rome is likely to move slowly on this issue. [REDACTED]

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The Soviets' comments before the talks indicated that they ultimately will accede to Rome's major demands. The USSR is particularly eager to sell additional gas to Italy, even in reduced amounts, because other West European countries are buying less gas than Moscow had hoped. [REDACTED]

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SURINAME-NETHERLANDS: Diplomats Expelled

The expulsion on Wednesday of a Dutch diplomat from Paramaribo puts new strains on relations between Suriname and the Netherlands. Prime Minister Alibux claims the Netherlands' Embassy had provided the Dutch media with false information about Suriname. The Netherlands has retaliated by ordering the departure of the First Secretary at Suriname's Embassy in The Hague.

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Comment: Paramaribo's action and the strong sentiment in the Netherlands against Army Commander Bouterse will dim prospects for a resumption of Dutch aid. The Dutch diplomat was a longtime resident of Suriname, and the action against him will alienate middle class sectors in Paramaribo, hindering Bouterse's efforts to develop popular support.

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MEXICO: Student Unrest

Recent clashes between police and students demonstrate the potential for sporadic outbursts of violence, but the country's stability is not being threatened. According to an Embassy observer, police used tear gas and high-pressure water to disperse approximately 3,000 students blocking a major intersection in downtown Mexico City. The students were protesting government plans to close a large teachers' college. The school is a hotbed of leftist union activity.

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Comment: The issue prompting the protest is of limited interest, and student unrest is unlikely to spread to other groups. Most Mexicans still support the ruling party. The use of force, however, suggests that the administration was concerned about losing public confidence in its ability to maintain control. The closure of the teachers' college and President de la Madrid's strong handling of a strike at the National University reflect his determination to weaken Communist-dominated university unions.

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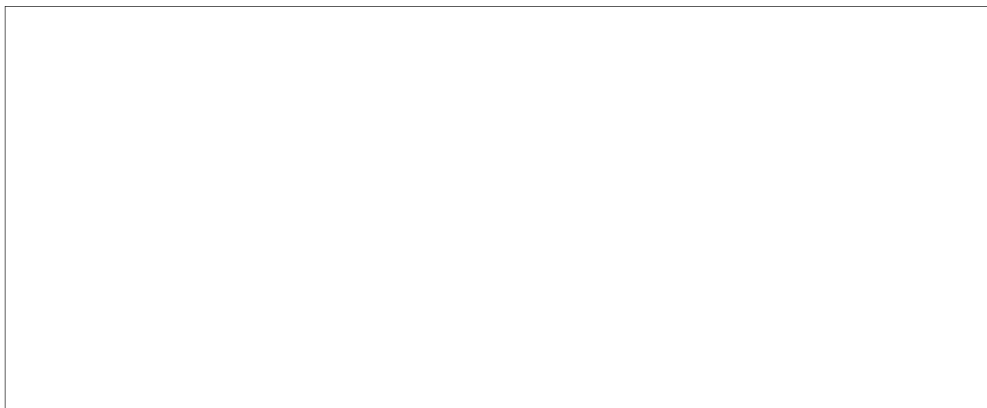
NEW ZEALAND-US: Protests Against Ship Visit

The scheduled visit to New Zealand ports in the first week of August of the nuclear-powered USS Texas is likely to cause protests and port work stoppages more intense than the disruptions during the last visit by a US Navy ship over a year ago. [REDACTED]

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Comment: The planned demonstrations, following protests against the ship's recent visit to Australia and Fiji's failure to approve a port call, underscore the depth of antinuclear sentiment in the southwestern Pacific. Such sentiment is focused on French nuclear testing in French Polynesia, but also includes fears of contamination from nuclear-propelled ships. Australia intends to propose a nuclear-free zone in the South Pacific when it hosts the annual meeting of South Pacific heads of government in late August. The move threatens to institutionalize regional antinuclear sentiment, even though the Australian draft provides for unimpeded passage of nuclear-powered vessels. [REDACTED]

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PERU-US: Possible Purchase of Helicopters

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Special Analysis

ISRAEL-WEST BANK: Tel Aviv's New Approach

Israel's more conciliatory approach to the West Bank is designed to take advantage of the fluid political situation that has resulted from the setbacks suffered by the PLO during the war in Lebanon and, more recently, by PLO chief Arafat. The new policy emphasizes discussions with a broad range of West Bank Arabs in the hope of reaching a pragmatic accommodation with a majority of the territory's residents. Nonetheless, the Arabs there are likely to remain reluctant to deal on their own with Israel, because of loyalties to Jordan and the PLO and fear of exposing themselves to attacks from radical Palestinian elements.

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The new look in Israel's West Bank policy is at least partly the result of Ariel Sharon's replacement as Defense Minister in February by Moshe Arens, and the subsequent appointment of Major General Moshe Levy as armed forces Chief of Staff. The new team is just as committed as its predecessors to retaining the West Bank, but believes a less provocative approach will work better.

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Arens and his advisers apparently believe the prospect of the PLO's fragmentation offers an opportunity to open channels of communication with a broad spectrum of Palestinians. They evidently hope that, for pragmatic reasons, growing numbers of West Bankers will begin to cooperate, and that in time these elements will develop into a moderate Palestinian leadership willing to deal with Israel on autonomy. Sharon had advocated dealing exclusively with the discredited Village Leagues.

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New Policy Coordinator

As part of the new approach, Arens last week named Brigadier General Ben Eliezer as the new Coordinator of Activities in the Occupied Territories. The Coordinator is responsible for all activities in the territories not related to security and reports directly to the Defense Minister.

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Ben Eliezer is well known and respected in the West Bank from his previous service as military governor. He advocates a no-nonsense approach to Arab and Jewish violence and favors expanded communication with all Palestinian factions.

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Despite Ben Eliezer's past opposition to the Village Leagues, Tel Aviv is unlikely to abandon the Leagues or permit the return of ousted mayors. Moreover, Israel will continue to root out local leaders believed to be PLO activists. It also will take whatever action it can to limit the PLO's influence, including restrictions on its provision of financial support to West Bank towns. [redacted]

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The appointment of Ben Eliezer may foreshadow the unification of the civil administration the Israelis established in 1981 and the military government. He has argued against the split between civilian and security administrative functions, because he believes the tough measures used by the Army to preserve order undermine the civil administration's efforts to promote cooperation. According to the US Embassy, Ben Eliezer criticized this policy during a meeting with Arens two months ago. [redacted]

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West Bank Reaction

West Bankers have responded cautiously to Israel's more conciliatory approach. The US Consul General in Jerusalem reports that most Palestinians would not agree that, since Arens took office, treatment of West Bank demonstrators has improved and that a firmer stand has been taken against vigilantism by Jewish settlers. They note that Arens advocates the same hardline policies in the occupied territories as Sharon, although they concede Arens has a smoother style. [redacted]

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The West Bankers are more positive about appointment of Ben Eliezer, and many consider him a friend. Some West Bankers have told the Consul General they hoped Ben Eliezer would follow through on his publicly stated goal to increase communication with as many Palestinians as possible. [redacted]

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At the same time, [redacted] some West Bank mayors are willing to test Israel's new policy and address urgent local problems resulting from the occupation. Since 1981, most mayors and municipal councils have refused to work closely with the civil administration to find ways to cope with such problems. [redacted]

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Over the past three months, however, at least four mayors have met with Israeli civil administrator Brigadier General Ilia. As a result of these meetings, Ilia reportedly has taken steps to increase financial assistance to the municipalities. [redacted]

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Outlook

Tel Aviv's new policy may encourage more West Bank Arabs to cooperate on local matters, but it is unlikely that Israel's efforts to gain the loyalty of a majority of the population will be successful in the near term. The US Consul General says most West Bankers remain solidly behind Arafat. Some others remain sympathetic to Jordan's King Hussein. [REDACTED]

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Nevertheless, Arafat's strength on the West Bank may decline. The Consul General notes there already is some disappointment over Arafat's inability to control events, and he may be blamed if the PLO fragments. Doubts are being raised on the West Bank about whether the PLO leader can ride out the storm. [REDACTED]

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If the PLO fragments, the loyalties of West Bank Arabs are likely to be further divided between the Palestinian national movement's radical and moderate elements and those who support Hussein. Others—especially the youth—may become involved in Islamic fundamentalist activity, which recently has become an important factor in West Bank universities. [REDACTED]

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There is no sign that West Bankers would offer their own peace initiative. They will remain reluctant to deal with Israel independently rather than expose themselves to criticism and possible violent attacks from radical Palestinian elements. [REDACTED]

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Moreover, moderate Palestinians will continue to be discouraged by Israeli actions, including the recent dismissal of Hebron's mayor and council and expanded settlement activity. These actions were largely in response to domestic political pressures. [REDACTED]

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